

July 8, 2002

**Preparer's Notice 02-1**

To: Tax Preparers

From: Office of Revenue

Subject: Income Tax For The Coming Year

The Tax Commission has made only minimal changes to the way that we are processing returns for this year and will process returns for next year. We have tried to process the returns in an efficient manner considering the available resources. It helps to have the returns properly prepared and we would like to thank everyone for their cooperation and assistance.

**This and any future notices will be posted on our web site at [www.mstc.state.ms.us](http://www.mstc.state.ms.us).** Distribution will be made through the web site from this point forward. Be Advised – we will no longer mail these notices to you.

**Policy Statement - Federal "Job Creation and Worker Assistance Act of 2002"**

The Commissioner has determined the temporary thirty percent (30%) depreciation bonus provided by the federal "Job Creation and Worker Assistance Act of 2002" is **NOT** a reasonable allowance for exhaustion, wear and tear and obsolescence of property. Therefore, if such "bonus" depreciation is taken for federal purposes, an adjustment must be made to the Mississippi income tax return to clearly reflect that depreciation which would have otherwise been allowed using other federal depreciation guidelines. For more detailed information on reporting the disallowance, please see our web site.

**Legislative Changes**

Senate Bill 3196 was passed this year to include "unrelated business income" in taxable income for organizations that may not have had a tax liability in the past. This bill takes effect for tax years beginning on or after January 1, 2002. For income tax bills, the effective date is the tax year that begins on or after the date specified by the bill itself.

In anticipation of the passage of the Federal "Job Creation and Worker Assistance Act of 2002", the Governor signed Senate Bill 3114 on March 29, 2002, which decouples the Mississippi Code from the federal law for periods of loss carrybacks and loss carryforwards. SB 3114 specifically allows a two year carryback and a twenty year carryforward for state tax purposes. This bill is effective for all years ending on or after December 31, 2000.

This past filing year is the last you will see of the Social Security Number on the mailing label of the return booklet mailed by the State Tax Commission. The 2002 Legislature passed House Bill 251 requiring state agencies to take steps to prevent the inadvertent disclosure of a Social Security Number of any individual. This means for those individuals that prepare their own return, they will be required to print their Social Security Number on their returns or risk a delay in processing.

Other bills include:

House Bill 474 has extended the repeal date on employee training tax credit from 2002 to 2004.

House Bill 589 has extended the repeal date on port credit to 2005.

Senate Bill 3113 has clarified that all gaming establishments, whether licensed under the Gaming Control Act or not, will withhold the 3% non-refundable income tax on gaming winnings.

The text of all the bills mentioned above and all the other bills introduced in this year's legislative session can be found at the Mississippi Legislature's web site at [www.ls.state.ms.us](http://www.ls.state.ms.us).

Don't forget the 2001 law change that exempted gaming winnings that are subject to the 3% withholding from state income tax. These winnings are **NOT** to be reported on the state income tax return, the losses are **NOT** to be deducted as an itemized deduction for state income tax purposes and the tax withheld on the winnings **CANNOT** be used as a credit on the state income tax return.

#### **Document Preparation:**

1. Software generated returns should not be duplex printed.
2. If there is a page 1 and a page 2 of a form, include both pages, even if page 2 is blank.
3. Use a laser printer (preferably) or a high quality inkjet printer.
4. Photocopies should not be submitted.

Check for the accurate, up-to-date completion of the demographic data on the return. We have received a large number of returns that failed to include basic information on the return such as taxpayer name, social security number, filing status, or county code. We have also received blank provider forms that have been printed and then completed by hand. This type of return is not acceptable.

Failure to comply with the requirements may cause the tax return to be mailed back to the taxpayer and/or may lead to the imposition of a penalty.

The preferred method of attachment is to paperclip the return and the W-2's along with a check and payment voucher (if payment is due) with the check and payment voucher in the front and the W-2s behind the return.

If you wish to staple the attachments, please arrange the attachments in the same order and place the staple part way down the left side of the return below the bar code but above the fold that is necessary when the return is folded in half. **DO NOT STAPLE THE RETURN IN THE BARCODE AREA.**

Additionally, in the scanband area, none of the data fields should be blank except for the spouse's name when filing without a spouse. If the field is blank, the software should default to a "0" for a numeric field and an "N" for an alpha or alphanumeric field. If it does not, please notify the Tax Commission and enter a "0" or an "N" in the appropriate data entry area in the software package.

The Tax Commission has envelopes available to be used in mailing individual returns. The envelopes are similar to federal return envelopes and have 2 gummed address labels (one for refunds, one for all other returns). Use of these envelopes will speed up processing of the returns. Individual income tax returns should be folded 1 time in the center to be placed in these envelopes or an oversized envelope similar to the one supplied in the booklets.

Again, the biggest single problem experienced with individual income returns last year was incorrect addresses on returns prepared using software and electronically filed returns. It appeared that information was imported from the prior year's return and not updated when the taxpayer's address had changed. In the case of electronically filed returns, refunds were usually issued within a week of submission of the return, but we still received several thousand refund checks back as undeliverable because of incorrect addresses. Please be sure to verify with the taxpayer that the address on the return is correct.

**Electronic Filing:**

Please check our web site throughout the year for significant changes in our electronic filing program. Information concerning the electronic filing program is available on our web site under the electronic filing link with individual income tax. The number of returns filed electronically continues to increase each filing season.

If you are participating in the electronic filing program, please do not mail in the signature document (Federal Form 8453) except on request. We received a large number of these forms this past year and had to return them to the preparer.

**End of Year Filings:**

When submitting your year-end annual information returns (W2s and 1099s), please refrain from enclosing any other type of return (sales tax returns, individual income tax returns, etc.). We are unable to timely process any other type of return when they are included in the annual information return group. This could result in the taxpayer receiving a delinquent notice or penalty and interest assessments.

**Other Information:**

For corporate returns, s-corporation returns and partnership returns, good quality photocopies of both computer generated and hand print forms will be accepted for the upcoming year, but you are encouraged to file the originals.

Income tax returns will have a new version of the form issued each year with the year on it. The correct year's form should be used for the return. Other forms, such as sales tax, may not be changed each year, but when a new version of a form is issued, all of the older forms should be destroyed. A current version of the form may be used to file an older period.